

## PENSION BOARD MEETING

Tuesday, February 18, 2014  
2:00 PM – Fourth Floor Conference Room

### MEETING MINUTES

**Members Present:** Bill Bruton Anthony Coleman  
Barry Echols Philip Goldstein  
Eric Lockhart Danny Messimer  
Tim Milligan Freddy Morgan

**Ex-Officio Members:** Shannon Barrett – “Acting” Director, HR  
Lori Duncan for Sam Lady – Finance

**Absent:** Jess Zerbe

**Visitors / Guests** Scott Arnwine /Ian Janecek /Miles Fortis – GAVION  
Judy Burnette – Human Resources – Benefits  
Jackie Deckman – Principal Financial Group  
Jim Curtis - Finance  
John Garrett /Edward Koebel – Cavanaugh MacDonald  
Dayna Waddell–Cavanaugh MacDonald  
Libby Hammock – Human Resources

#### 1. CALL TO ORDER / DECLARATION OF QUORUM

Chairperson Lockhart

Chairperson Lockhart declared a quorum and called the meeting to order at 2:03 PM. He opened by distributing copies of the GAPPT Membership & Registration application/information. He encouraged all Pension Board members to renew their membership and consider attending the March 2014 GAPPT first annual certified Pension Plan Trustee School.

He then requested that Agenda item 2. Election of 2014 Officers be moved to the end of the Agenda.

#### 3. MINUTES FOR APPROVAL – NOVEMBER 13, 2013

Chairperson Lockhart asked that in the interest of time that this item be addressed at the conclusion of all visitor presentations. He then asked that the Board move on to Agenda item #4.

#### 4. PREDICTIONS

Chairperson Lockhart

Chairperson Lockhart directed the Board to a video lead-in presentation that he had viewed on CNBC that he felt would be of interest. Two financial analysts, Mr. Siegel and Mr. Schiller were very positive about the future of the economy. Comments made were:

- Based on the 5% earnings growth the economy will be stronger in 2014. (Mr. Siegel)
- In 1932 there were the same concerns as today and we are on the same path. (Mr. Schiller.)

Ian opened the presentation stating that he would do a brief overview of the performance as to allow – Mr. Miles Fortas, Chief Financial Officer/Chief Compliance Officer of GAVION time to present and address the structure and services now provided by GAVION.

Ian briefly reviewed the Performance Analysis highlighting the following information:

**Page 5 – Total Portfolio ending 12.31.13**

Year 2011 – Down

Year 2012 – Average

Year 2013 – Good Performance due to:

Equity Manager was focused on defensive sectors.

Eagle & Westfield are over wt. in Bank Loans & High Yields

Fixed income is a defensive measure – strategies of Bank Loans & high yields

**Page 4 – Performance Summary**

Victory Investment Grade Convertible Securities is up at 18.9% and Sage Advisory is behind and all others are outperforming the index.

**Page 3 – Cash Flow** – YTD Ending 12.31.13

– Outstanding Ending Market Value: \$93,726,622

**Page 2 – Asset Allocation**

Asset Allocation has performed well:

Equity -	\$58,061,846
Fixed Income -	\$28,539,050
Alternative Assets	\$ 7,088,948
Cash	\$ 36,779

Ian stated that January was a volatile month and commented that equities offered a better return for fixed. He suggested that the Board consider taking the risks off the table by increasing Victory Investment Grade Convertible Securities.

Chairperson Lockhart called for a Motion.

**MOTION:  
TRANSFER FUNDS**

Member Goldstein made the motion to move \$500,000 from Energy Opportunities Capital into Victory Investment Grade Convertible Securities; and to also move \$500,000 from Sage Advisory Core Taxable Fixed Income into Victory Investment Grade Convertible Securities - for a total transfer of \$1million.

Second to the motion by Member Milligan  
Unanimous approval by the Board

5. **GAVION**  
(Continued)

Ian Janecek

At this time, Ian introduced Mr. Miles S. Fortas, CPA and Chief Financial / Chief Compliance Officer with GAVION. Mr. Fortas stated that he was appreciative of the opportunity to address the Board and wanted to share his background information. He began by stating that he serves on the Compliance Committee as well as the External Compliance Advisors to various plans. He has extensive Finance background and believes that education is a key factor in his role.

He has been a part of CSG and GAVION since 1998. He added that Lori Montgomery is also on the Compliance Committee. He is of the opinion that there are three (3) critical keys to compliance: Firm Leadership; Corporate Structure & Reduced Risks.

GAVION was created in April of 2013. It is now a totally employee owned company and they have bought the assets from CSG. June of 2013 GAVION was registered and October 1, 2013 they became a full service "medium service company." At this time Ian opened the floor for a Q&A.

Ian addressed the question reference to the status of "Employee Owned". GAVION is 90% owned by employees as of this date. The CEO of CSG is now the CEO of GAVION. Ian confirmed that there is a CODE OF ETHICS and it is updated yearly.

Chairperson Lockhart called for a motion to approve the contract services from GAVION with the transition of only name from CSG to GAVION.

**MOTION:**  
**GAVION SERVICES**

Member Milligan made the motion to assign the current CSG contract to GAVION with the language to remain the same as the current contract terms.

Second to the Motion by Member Morgan  
Unanimous by the Board

GAVION concluded their presentation at 3:02 PM and left the meeting.

6. **PRINCIPAL – STATUS/QUARTERLY UPDATE**

Jackie Deckman

Jackie opened her presentation by directing attention to **Page 3** of her presentation entitled: Retirement Program Overview. Participant Details as of 12.31.13 are:

Total Plan Participants: 795  
Average Account Balance per Participant: \$40,091

She also pointed out on **Page 14** the following Investment Allocation for Period Ending 12.31.13:

US Equity (Small/Mid/Large)	23%
International Equity	3%
Balanced/Asset Allocation	9%
Short-Term Fixed Income	61%
Fixed Income	4%

She added that \$2 Million went out to contributions and \$3 Million came in with investments to have \$33.5 million in assets.

**6. PRINCIPAL – STATUS/QUARTERLY UPDATE**  
(Continued)

Jackie Deckman

**Page 37** – Harbor International Investor Fund – Principal Life Time Funds – 7 of the funds outperformed at 30% for the year.

**Page 38** – Small Cap had the best performance at 45%.

**Page 42** – Large Value – MFS Value Fund – performing very well – with quality stock value box/growth value.

**Page 44** - T. Rowe Price – Large Growth – lead manager and outstanding performance.

**Page 32** – Will watch this fund based on YTD numbers, keeping an eye on the 3 & 5 years.

**Page 33** – LifeTime Portfolios

Jackie pointed out that LifeTime Portfolios are a strategic income, and a portfolio for retirees that continues to change the allocations but will not modify until 2025. This is a strategic income for up to 80 years of age.

**Page 35** – Dodge & Cox – Intermediate Term Bond – has stayed in the positive range and is in corporate bonds.

Jackie added that this has been a great year and thanked the Board for their time. She concluded her presentation and left the meeting at 3:18 pm.

**7. CAVANAUGH MACDONALD (ACTUARY)**

Ed Kobel

Ed Kobel, Principal & Consulting Actuary along with Ms. Danya Waddell were present to review the findings in the Consolidated Retirement Plan for the City of Marietta – Actuarial Experience Review, dated 07.01.04 to 06.30.09 as compared to the Cavanaugh study.

Mr. Kobel stated that a study is done based on three categories: Economic Assumptions, Demographic Assumptions and Other Assumptions.

**Transition Review – ECONOMIC ASSUMPTIONS**

1. Price Inflation – the City of Marietta shows a 3.5%.
2. Real Rate of Return – 4.00%
3. Investment Return – 7.5%
4. Payroll Growth – 3.5%
5. Salary Scale – Age-Based rates separate for General & Uniformed Officers

**Transition Review – DEMOGRAPHIC ASSUMPTIONS**

1. Mortality- RP-2000 Combined Mortality Table with 4 year set forward for Health lives and RP-2000 Disabled Mortality Table for Disabled Lives:
  - a. About 13% margin for improved longevity for healthy lives – within reasonable ranges.
  - b. About 7% margin for improved longevity for disabled lives – within reasonable ranges.
2. Turnover/Retirement Disability:

All decrements seem reasonable and changes in the 2009 experience study report followed actuarial standards of practice and seem reasonable.

**Transition Review – OTHER ASSUMPTIONS**

1. Asset smoothing: 10 year smoothing of differences between actual and expected market with 20% corridor.
2. Actuarial Cost Method: Entry Age Normal – Replacement Life Method (not used by CavMac). Will blend all costs for the accurate cost.
3. Amortization Method: Remains the same - Level Percent of Payroll with closed 30 year period.
4. Opinion Factors: Still under Review.

Noted: Per Ms. Waddell there should be very few changes in the transition with differences to be less than 2%.

Mr. Koebel received the 2013 data today and is ready to begin the study. He estimates a completion time of 6-8 weeks.

Member Goldstein asked Mr. Koebel if he could project if the City of Marietta would be 100% funded in thirty (30) years. Mr. Koebel responded with suggested factors that could contribute to the process, such as, closed amortization, and making the required contributions in the established time frame. However, he pointed out that there will be some declines in the amount before payments are made to the principal. The 2013 gains will help.

(Goldstein left mtg. 3:50  
Rtn. 3:52 PM)

Member Morgan inquired as to how we could evaluate when the City would be fully funded. Mr. Koebel commented that you could use the number of 7.7% of Payroll, 3.75 employee contributions; and 4022 plan of 4% (with only 20 employees left in this plan.)

As there were no further questions or comments, Mr. Koebel & Ms. Waddell left the meeting at 3:57 PM.

**Chairperson Lockhart directed the Board Members to return to Agenda Item No. 3**

3. **MINUTES FOR APPROVAL**  
(Continued)

- November 13, 2013 Pension Board Meeting

Chairperson Lockhart asked that the Pension Board Members read the meeting minutes. He called for a motion for approval of the November 13, 2013 Pension Minutes.

**MOTION:  
NOVEMBER 13, 2013  
PENSION BOARD MINUTES**

Member Goldstein made the motion to approve the November 13, 2013 meeting minutes.  
Second to the motion by Member Bruton  
Unanimous by the Board

## 8. RETIREMENT APPLICATIONS

Shannon Barrett

- a. Carson, Thomas J. – Consolidated Plan, Disability Retirement. Single Life Benefit. Effective 12-01-2013. Monthly Benefit \$1,828.21. Employed 08-22-1989 to 11-30-2013, 24 years 3 months. Material Processor.
- b. Duke, Bobbie M. – Consolidated Plan, Terminated Vested Early Retirement. Single Life Benefit. Effective 01-01-2014. Monthly Benefit \$244.40. Employed 12-31-1987 to 04-01-1996, 8 years and 3 months. Senior E 911 Dispatcher.
- c. Dulworth, Perry F. – Consolidated Plan, Unreduced Early, 100% Pop-up joint and survivor benefit. Effective 01-01-2014. Monthly Benefit \$2,095.39. Employed 03-02-1987 to 12-31-2013, 26 years 10 months. Police Officer.
- d. Friedlander, John W. – Consolidated Plan, Terminated Vested Early Retirement. Single Life Benefit. Effective 01-01-2014. Monthly Benefit \$518.10. Employed 09-06-1988 to 12-11-1999, 11 years 3 months. Police Sergeant.
- e. Lucas, Jasper D. – Consolidated Plan, Terminated Vested Early Retirement. Single Life Benefit. Effective 01-01-2014. Monthly Benefit \$159.37. Employed 03-12-2001 to 08-15-2006, 5 years 5 months. CSW II Streets.
- f. Brown, Larry E. – Consolidated Plan, Unreduced Early, Single Life Benefit. Effective 02-01-2014. Monthly Benefit \$3,368.24. Employed 04-02-1987 to 01-31-2014, 26 years 10 months. Fire Lieutenant.
- g. King, James W. – Consolidated Plan, Early Retirement, 100% Pop-up joint and survivor benefit. Effective 02-01-2014. Monthly Benefit \$588.59. Employed 01-07-2002 to 01-06-2014, 12 years. City Council.
- h. Lewis, Annette P. – Consolidated Plan, Early Retirement, Single Life Benefit. Effective 02-01-2014. Monthly Benefit \$528.45. Employed 01-02-2006 to 01-06-2014, 8 years. City Council.

Chairperson Lockhart called for a motion to approve the retirement applications as read.

### **MOTION: RETIREMENT APPLICATIONS**

Member Milligan made the motion to approve the retirement applications as read by Secretary Barrett - a thru h.

Second to the Motion by Member Echols  
Unanimous by the Board

## 9. OLD BUSINESS

- E-Determination Letter – 2014

Shannon Barrett

Secretary Barrett reported that she had spoken to Patti Keesler in reference to the status of the E-Determination Letter. Ms. Keesler confirmed that the letters have been filed and she has received notice/confirmation that they are being reviewed.

## **9. OLD BUSINESS**

(Continued)

- Pension Calculation On Line Version

Tim Milligan

Member Milligan asked the Pension Board for clarification on the pension calculation used for city retirees. The issue is that an employee retirement amount is calculated based on 30 days as a month; however, sometimes there are not 30 days in the month – ex: if the month starts on the 1<sup>st</sup> or 2<sup>nd</sup>, then the employee only works 28 or 29 days and is not paid for the full 30 days.

Member Milligan asked for input as to how to correct the calculations. After a lengthy discussion on ways to address and resolve the calculation process a conclusion was not reached and Member Morgan suggested that the Pension Calculation Committee bring back suggestions for review at the next Pension Board Meeting. This item was tabled for further discussion at the next Pension Board Meeting.

**Chairperson Lockhart directed the Board Members to return to Agenda Item No. 2**

## **2. ELECTION OF OFFICERS**

Chairperson Lockhart opened the floor for nominations, for Chairperson and Vice Chairperson of the Pension Board. He asked that his name be withheld in consideration of these nominations.

### **MOTION: VICE CHAIRPERSON – PENSION BOARD**

Member Echols made the motion to nominate Freddy Morgan as 2014 Vice Chairperson of the Pension Board.

Member Milligan seconded the motion  
Unanimous by the Board

### **MOTION: CHAIRPERSON – PENSION BOARD**

Member Milligan made the motion to nominate Barry Echols as 2014 Chairperson of the Pension Board.

Member Morgan seconded the motion  
Unanimous by the Board

## **10. NEW BUSINESS**

Member Milligan reminded the Pension Board members of the brochure handed out at the beginning of the meeting. He emphasized that this is the GAPPT First Annual Certified Pension Plan Trustee School and would be beneficial for all members to participate.

**10. NEW BUSINESS**  
(Continued)

**MOTION:**  
**GAPPT CERTIFIED PENSION PLAN TRUSTEE SCHOOL**

Member Bruton made the motion that Travel & Training for the GAPPT School and renewal of annual GAPPT membership dues are to be paid by the Pension Fund.

Second to the motion was made by Chairperson Lockhart.  
Unanimous by the Board

Next Pension Board Meeting will be held:  
Tuesday, May 13, 2014  
9:00 am  
4<sup>th</sup> Floor Conference Room

**11. ADJOURNMENT**

**MOTION:**  
**ADJOURN**

Member Milligan called for a motion to adjourn at 4:55 PM

Second to the motion by Chairperson Lockhart  
Unanimous by the Board

**PENSION BOARD MEETING**

**Tuesday, February 18, 2014**  
**3:00 PM – Fourth Floor Conference Room**

APPROVED THIS 13<sup>th</sup> DAY OF May, 2014

  
Barry Echols, Chairperson, Pension Board

ATTEST:   
Elizabeth Hammock, Administrative Assistant II – Human Resources